

# DEBT SERVICE

## PROGRAM DESCRIPTION

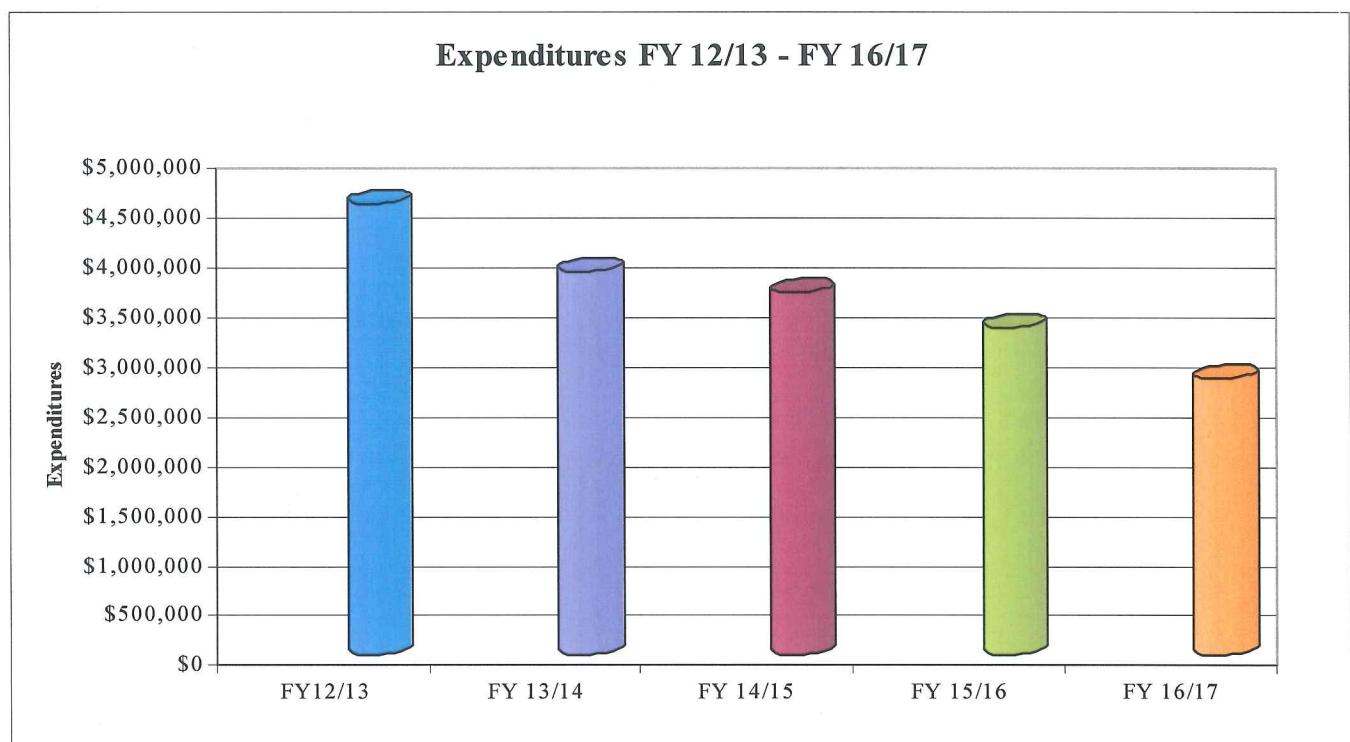
This series of accounts reflects those expenditures made by the Town for interest and principal payments for Short and Long-Term Debt.

## PERSONNEL AND EXPENDITURES

The Director of Finance is responsible for monitoring the Town's Debt Service Program.

## PROGRAM COMMENTARY

|              | 2012/<br>2013 | 2013/<br>2014 | 2014/<br>2015 | 2015/<br>2016 | 2016/<br>2017 | \$<br>Inc/(Dec) | %<br>Inc/-Dec |
|--------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
| Expenditures | \$4,546,338   | \$ 3,858,790  | \$3,647,490   | \$3,300,940   | \$2,789,290   | (\$511,650)     | -15.5%        |



Debt Service reflects the pay down of existing debt from general obligation bond anticipation notes and bond issues for general purposes including previously approved school projects, including the Avon High School Renovation/Addition project, Town Hall Renovations, the replacement of the Avon Middle School Roof and related improvements, and the most recent Avon Free Public Library Renovations, Additions and Improvements project. The \$2,789,290 in Debt is reflected in the General Fund appropriation.

## PROGRAM COMMENTARY, continued

1. Ensure long-term debt will not exceed the Town's resources for repaying the debt;
2. Finance capital projects through the issuance of bonds for a period not to exceed the expected useful life of the project;
3. Maintain the Town's Aaa/AAA credit rating.

While the Town's Debt Service was reduced by over 50% between 1983 and 1988, a 1988 decision to move forward with a systematic plan to renovate all and add new school facilities to accommodate increases in school enrollment, and programmatic changes to the school curriculum, has resulted in a substantial increase in Debt Service over the past twenty years. The level of per capita debt peaked in 2010, and is not expected to level off until 2017. It is the Town's intent to keep its per capita debt at a level acceptable to municipal securities rating agencies and retire its debt rapidly. This strategy was confirmed in June 2005 when Standard & Poor's reaffirmed Avon's Aaa/AAA rating, in 2008 by Moody's and Standard & Poor's, in 2009 and in 2012 by Moody's and Standard & Poor's, when the Town issued bonds for Library Additions and Renovations Project, and in 2015 by Standard & Poor's as part of their regular surveillance cycle. As previously mentioned, the Town's debt load increased significantly during the last twenty years as it has built infrastructure to handle an increasing population and a corresponding increase in demand for services.

The Town presented and adopted at an October 22, 2009 referendum, an appropriation of \$9,500,000, with authorization for the issuance of up to \$8,000,000 of notes and bonds, for renovations and additions to the Avon Free Public Library. Construction commenced in the winter of 2010, with the ceremonial groundbreaking in early January 2011. The Library expansion, which was completed in April 2012 (despite a difficult weather year with Storms Alfred and Irene) at a total cost of \$8.61 million (roughly \$900,000 under the original budget), doubled the square footage and significantly impacted building operating and staff costs. The improvements allowed the Library to expand its print and non-print collections and the programs offered to the public, which are projected to be needed for the Town's build-out population of 21,000. The Avon Free Public Library received a \$1,000,000 Connecticut State Library construction grant, with the remainder of this approximately \$9,500,000 total construction project funded by notes, bonds, fundraisers, and donations. On November 2, 2010, the Town issued Bond Anticipation Notes in the amount of \$7,000,000, due November 1, 2011, which was subsequently replaced with \$7,000,000 of Bond Anticipation Notes at a rate of 1.50% maturing October 30, 2012 for temporary financing for the expansion and renovations. On October 30, 2012, the Town issued General Obligation Bonds at a rate of 2% maturing June 15, 2028.

The graph on M.10 illustrates the Town's debt history and future projected net debt load (after state grants).

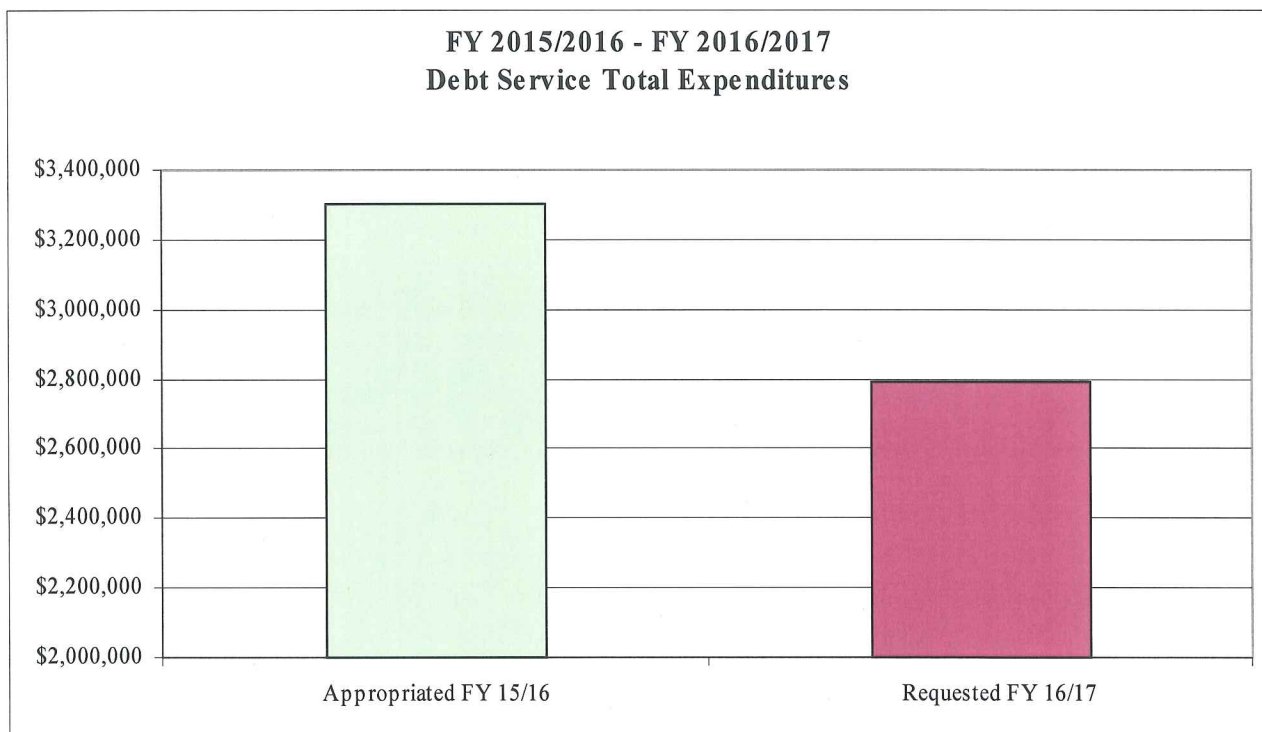
The Tables on M. 5 reflect the Legal Debt Margin Information for the last ten fiscal years, and the Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita for the last ten years. The table on the following page illustrates the Schedule of Changes in Bonded Indebtedness for the year ended June 30, 2014. Page A.22 lists statewide comparative debt figures and A.23 compares Avon's debt and credit ratings to similar communities.

## EFFECT OF EQUITY DEBT LEVEL ON ANNUAL AND FUTURE OPERATIONS

The Town has taken into consideration the budget impact of current and future debt levels on operations. This has been done in conjunction with the Capital Improvement Program (see R. 7 for a more detailed analysis). Capacity from the retirement of debt has been shifted to funding the Capital Projects Fund on a pay-as-you-go basis. The current and anticipated debt service program has been planned to minimize major impacts on year-to-year operations. As of the current fiscal year, including the bond issue for the Library Additions and Renovations project, debt retirement will be 43% retired in five years and 82% retired in ten years. The outlook for the Town is continued maintenance of its modest debt position.

### REQUESTED BUDGET SUMMARY DEBT SERVICE

|                        | Appropriated<br>FY 2015/2016 | Requested<br>FY 2016/2017 | Adopted<br>FY 2016/2017 | Inc/(Dec) \$ | Inc/-Dec % |
|------------------------|------------------------------|---------------------------|-------------------------|--------------|------------|
| <b>Bonds and Notes</b> |                              |                           |                         |              |            |
| Expenditures           | \$3,300,940                  | \$2,789,290               | TBD                     | (\$511,650)  | -15.5%     |



**TOWN OF AVON, CONNECTICUT**

**SCHEDULE OF DEBT LIMITATION  
FOR THE YEAR ENDED JUNE 30, 2015**

|  |                     |
|--|---------------------|
| Total Tax Collections (Including Interest and Lien Fees) Received by Treasurer for Current Fiscal Year.....  | \$72,647,752        |
| Total Tax Collections (Including Interest and Lien Fees) Received by Treasurers of All Other Taxing Districts Within Town For Current Fiscal Year..... | 3,393,354           |
| Reimbursement for Revenue Loss: Tax Relief for Elderly.....  | <u>87,645</u>       |
| BASE FOR DEBT LIMITATION COMPUTATION.....  | <u>\$76,128,751</u> |

|  | GENERAL<br>PURPOSES  | SCHOOLS              | SEWERS               | URBAN<br>RENEWAL     | PENSION<br>DEFICIT   |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| DEBT LIMITATION  |                      |                      |                      |                      |                      |
| 2-¼ times base.....                                      | \$171,289,690        | \$                   | \$                   | \$                   | \$                   |
| 4 -½ times base.....                                     |                      | 342,579,380          |                      |                      |                      |
| 3-¾ times base.....                                      |                      |                      | 285,482,816          |                      |                      |
| 3-¼ times base.....                                      |                      |                      |                      | 247,418,441          |                      |
| 3 times base.....  |                      |                      |                      |                      | 228,386,253          |
| TOTAL DEBT LIMITATION:                                   | 171,289,690          | 342,579,380          | 285,482,816          | 247,418,441          | 228,386,253          |
| INDEBTEDNESS:  |                      |                      |                      |                      |                      |
| Bonds Payable.....                                       | 7,927,000            | 19,708,000           |                      |                      |                      |
| NET INDEBTEDNESS (1)                                     | 7,927,000            | 19,639,930           | (285,890)            | -                    | -                    |
| DEBT LIMITATION IN EXCESS<br>OF OUTSTANDING<br>DEBT..... |                      |                      |                      |                      |                      |
|  | <u>\$163,362,690</u> | <u>\$322,871,380</u> | <u>\$285,482,816</u> | <u>\$247,418,441</u> | <u>\$228,386,253</u> |

(1) The total of the above net indebtedness amounts to: \$ 27,635,000

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$532,901,257

**TOWN OF AVON, CONNECTICUT  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>Debt Limit</b> | <b>Total Net Debt<br/>Applicable to<br/>Limit</b> | <b>Legal<br/>Debt Margin</b> | <b>Total Net Debt<br/>Applicable to the Limit<br/>as a % of Debt Limit</b> | <b>Debt Limit as a<br/>% of Assessed<br/>Value</b> |
|--------------------|-------------------|---|------------------------------|--|--|
| 2006               | 383,690,160       | 64,909,268  | 318,780,892                  | 16.92 %  | 18.02%   |
| 2007               | 404,046,335       | 76,853,667  | 327,192,668                  | 19.02%   | 18.47%   |
| 2008               | 422,652,293       | 82,135,050  | 340,517,243                  | 19.43%   | 18.98%   |
| 2009               | 442,469,867       | 84,129,441  | 358,340,426                  | 19.01%   | 19.56%   |
| 2010               | 448,646,527       | 62,217,044  | 386,429,483                  | 13.87%   | 17.22%   |
| 2011               | 470,001,581       | 58,609,091  | 411,392,490                  | 12.47%   | 17.95%   |
| 2012               | 489,236,174       | 54,999,110  | 434,237,064                  | 11.24%   | 18.54%   |
| 2013               | 504,598,451       | 35,312,055  | 469,286,396                  | 7.00%  | 18.77%   |
| 2014               | 522,097,100       | 32,741,930  | 489,355,170                  | 6.27%  | 19.42%   |
| 2015               | 532,901,258       | 27,330,251  | 505,571,007                  | 5.13%  | 20.82%   |

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the Town exceed seven (7) times the annual receipts from taxation.

**RATIO OF NET GENERAL BONDED DEBT TO  
ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA  
Last Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>General Bonded Debt</b>              |                        | <b>% of Actual<br/>Taxable Value<br/>of Property</b> | <b>Total<br/>Primary<br/>Government</b> | <b>% of<br/>Personal<br/>Income</b> | <b>Per<br/>Capita</b> |
|--------------------|---|------------------------|--|---|-------------------------------------|-----------------------|
|                    | <b>General<br/>Obligation<br/>Bonds</b> | <b>Other<br/>Bonds</b> |  |   |                                     |                       |
| 2006               | 21,560,000                              | 0                      | 0.6076%  | 21,560,000                              | 2.38%                               | 1,232                 |
| 2007               | 18,785,000                              | 0                      | 0.4766%  | 18,785,000                              | 2.08%                               | 1,073                 |
| 2008               | 15,285,000                              | 0                      | 0.3702%  | 15,285,000                              | 1.66%                               | 859                   |
| 2009               | 12,185,000                              | 0                      | 0.2907%  | 12,185,000                              | 1.32%                               | 685                   |
| 2010               | 36,770,000                              | 0                      | 0.9172%  | 36,770,000                              | 3.93%                               | 2,031                 |
| 2011               | 33,120,000                              | 0                      | 0.8391%  | 33,120,000                              | 3.48%                               | 1,800                 |
| 2012               | 29,570,000                              | 0                      | 0.7901%  | 29,570,000                              | 3.06%                               | 1,581                 |
| 2013               | 33,305,000                              | 0                      | 0.8888%  | 33,305,000                              | 3.39%                               | 1,753                 |
| 2014               | 30,410,000                              | 0                      | 0.8224%  | 30,410,000                              | 2.51%                               | 1,552                 |
| 2015               | 27,635,000                              | 0                      | 0.7559%  | 27,635,000                              | 2.25%                               | 1,389                 |

# DEBT OBLIGATIONS FISCAL YEAR 2016/2017

## BONDS AND BOND ANTICIPATION NOTES

### PROGRAM DESCRIPTION

This account shows the expenditures of principal and interest payments on all outstanding and anticipated debt issues for Town and School purposes.

### PROGRAM COMMENTARY

The total debt service for fiscal year 2016/2017 is \$3,039,290, but reduced to \$2,789,290, by applying \$250,000 of BAN/Bond premium. The bond payments are budgeted in the General Fund; the Sewer Fund debt was retired in fiscal year 2012/2013. Currently there are no notes outstanding.

|                            |               |                                   | 2016/2017      |                      |                     |              |
|----------------------------|---------------|-----------------------------------|----------------|----------------------|---------------------|--------------|
| Date of Issue              | Interest Rate | Description                       | Original Issue | Principal Obligation | Interest Obligation | Debt Service |
| General Purposes:          |               |                                   |                |                      |                     |              |
| Bonds:                     |               |                                   |                |                      |                     |              |
| October 15, 2009           | 2.00 - 3.25%  | Town Hall Renovations             | 2,295,000      | 150,000              | 46,382              | 196,382      |
| October 30, 2012           | 2.00%         | AFPL Renovations, Additions, Imp. | 7,100,000      | 475,000              | 116,000             | 591,000      |
| Total General Purposes:    |               |                                   | 9,395,000      | 625,000              | 162,382             | 787,382      |
| Schools:                   |               |                                   |                |                      |                     |              |
| Bonds:                     |               |                                   |                |                      |                     |              |
| October 15, 2009           | 2.00 - 3.25%  | Avon High School Renovations      | 23,218,000     | 1,590,000            | 463,794             | 2,053,794    |
| October 15, 2009           | 2.00 - 3.25%  | Avon Middle School Roof           | 2,372,000      | 150,000              | 48,113              | 198,113      |
| Total Schools:             |               |                                   | 25,590,000     | 1,740,000            | 511,907             | 2,251,907    |
| Grand Total –<br>All Debt* |               |                                   | \$34,985,000   | \$2,365,000          | \$674,289           | \$3,039,290  |

\* Applying \$250,000 of BAN/Bond premium to reduce 2016/2017 budget to \$2,789,290.

## **DEBT SERVICE**

### **BONDS AND BOND ANTICIPATION NOTES, continued**

#### **PROJECTED SCHOOL CONSTRUCTION REIMBURSEMENTS**

Pursuant to Public Act No. 97-11, the State of Connecticut provided proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the prior program for all projects approved prior to July 1, 1996. Under the prior program, the State of Connecticut reimbursed the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund school projects.

As of July 1, 2013 and future fiscal years, the Town expects to receive principal grant reimbursements under the prior program in an aggregate amount of \$0.00. In fiscal year 2015, school building grants of \$68,070 are due to the Town from the State and are recorded as a receivable.

A listing of all State and Federal reimbursement grants is found on page B. 4.

Town of Avon  
Town Manager's Budget Summary  
Fiscal Year 2016/2017

| <u>Account and Description</u>         | <u>2015<br/>Actual</u> | <u>2016<br/>Budget</u> | <u>2016<br/>Actual YTD</u> | <u>2016<br/>Est. Actual</u> | <u>Department<br/>Head</u> | <u>Town Manager</u> | <u>Town Council</u> | <u>Board<br/>of Finance</u> | <u>Inc/Dec</u>  | <u>%</u>   |
|--|------------------------|------------------------|----------------------------|-----------------------------|----------------------------|---------------------|---------------------|-----------------------------|-----------------|------------|
| 9101 BONDS & NOTES                     |                        |                        |                            |                             |                            |                     |                     |                             |                 |            |
| SERVICES & SUPPLIES                    |                        |                        |                            |                             |                            |                     |                     |                             |                 |            |
| CONTRACTUAL SERV & PRINTING            | 3,647,488              | 3,300,940              | 1,821,119                  | 3,300,940                   | 2,789,290                  | 2,789,290           | 0                   | 0                           | -511,650        | -15.50     |
| <u>_Total_ SERVICES &amp; SUPPLIES</u> | <u>3,647,488</u>       | <u>3,300,940</u>       | <u>1,821,119</u>           | <u>3,300,940</u>            | <u>2,789,290</u>           | <u>2,789,290</u>    | <u>0</u>            | <u>0</u>                    | <u>-511,650</u> | <u>-16</u> |
| <u>_Total_ 9101 BONDS &amp; NOTES</u>  | <u>3,647,488</u>       | <u>3,300,940</u>       | <u>1,821,119</u>           | <u>3,300,940</u>            | <u>2,789,290</u>           | <u>2,789,290</u>    | <u>0</u>            | <u>0</u>                    | <u>-511,650</u> | <u>-16</u> |



Town of Avon  
Town Manager's Budget Detail  
Fiscal Year 2016/2017

| <u>Account#</u>   | <u>Description</u> | <u>2015<br/>Actual</u> | <u>2016<br/>Budget</u> | <u>2016<br/>Actual YTD</u> | <u>2016<br/>Est. Actual</u> | <u>Department<br/>Head</u> | <u>Town<br/>Manager</u> | <u>Town<br/>Council</u> | <u>Board<br/>of Finance</u> | <u>Inc/Dec</u>  | <u>%</u>   |
|---|--------------------|------------------------|------------------------|----------------------------|-----------------------------|----------------------------|-------------------------|-------------------------|-----------------------------|-----------------|------------|
| 01-9101-52189   | SERVICES - OTHER   | 3,647,488              | 3,300,940              | 1,821,119                  | 3,300,940                   | 2,789,290                  | 2,789,290               | 0                       | 0                           | -511,650        | -15.50     |
| PER BOND DEBT SERVICE<br>SCHEDULES 7/1/16-6/30/17<br>\$3,039,290 FOR EXISTING DEBT<br>REDUCED BY USE OF \$250,000<br>BANBOND PREMIUM<br>GEN FUND (01) \$2,789,290 |                    |                        |                        |                            |                             |                            |                         |                         |                             |                 |            |
| <u>_Total_ DEBT SERVICE</u>   |                    | <u>3,647,488</u>       | <u>3,300,940</u>       | <u>1,821,119</u>           | <u>3,300,940</u>            | <u>2,789,290</u>           | <u>2,789,290</u>        | <u>0</u>                | <u>0</u>                    | <u>-511,650</u> | <u>-16</u> |
| <u>_Total_ 9101 BONDS &amp; NOTES</u>   |                    | <u>3,647,488</u>       | <u>3,300,940</u>       | <u>1,821,119</u>           | <u>3,300,940</u>            | <u>2,789,290</u>           | <u>2,789,290</u>        | <u>0</u>                | <u>0</u>                    | <u>-511,650</u> | <u>-16</u> |

**TOWN OF AVON  
GENERAL LONG-TERM DEBT OBLIGATIONS  
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2015**

| DATE OF ISSUE                    | INTEREST RATE | DESCRIPTION                                      | ORIGINAL ISSUE | OUTSTANDING JULY 1, 2014 | ISSUED | REDEEMED    | OUTSTANDING JUNE 30, 2015 |
|----------------------------------|---------------|--|----------------|--------------------------|--------|-------------|---------------------------|
| GENERAL PURPOSES:                |               |  |                |                          |        |             |                           |
| BONDS:                           |               |  |                |                          |        |             |                           |
| July 15, 2002                    | 3.0%-5.0%     | Improvement Bond                                 | 1,295,000      | 164,000                  |        | 82,000      | 82,000                    |
| October 15, 2009                 | 2.0-3.25%     | Town Hall Renovations                            | 2,295,000      | 1,795,000                |        | 100,000     | 1,695,000                 |
| October 30, 2012                 | 2.0%          | AFPL Renovations, Additions, Imp.                | 7,100,000      | 6,625,000                |        | 475,000     | 6,150,000                 |
| TOTAL GENERAL PURPOSES           |               |  | 10,690,000     | 8,584,000                | -      | 657,000     | 7,927,000                 |
| SCHOOLS                          |               |  |                |                          |        |             |                           |
| BONDS:                           |               |  |                |                          |        |             |                           |
| July 15, 2002                    | 3.0-5.0%      | School Construction-Thompson Brook School        | 14,245,000     | 1,836,000                |        | 918,000     | 918,000                   |
| October 15, 2009                 | 2.0-3.25%     | School Construction-Avon High School Renovations | 23,218,000     | 18,145,000               |        | 1,100,000   | 17,045,000                |
| October 15, 2009                 | 2.0-3.25%     | School Construction-Avon Middle School Roof      | 2,372,000      | 1,845,000                |        | 100,000     | 1,745,000                 |
| TOTAL SCHOOLS.....               |               |  | 39,835,000     | 21,826,000               | -      | 2,118,000   | 19,708,000                |
| GRAND TOTAL-ALL BONDED DEBT..... |               |  | 50,525,000     | 30,410,000               |        | 2,775,000   | 27,635,000                |
| BOND ANTICIPATION NOTES.....     |               |  | -              | -                        |        | -           | -                         |
| TOTAL BONDS AND NOTES.....       |               |  | \$50,525,000   | \$30,410,000             | -      | \$2,775,000 | \$27,635,000              |

**TOWN OF AVON, CONNECTICUT**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

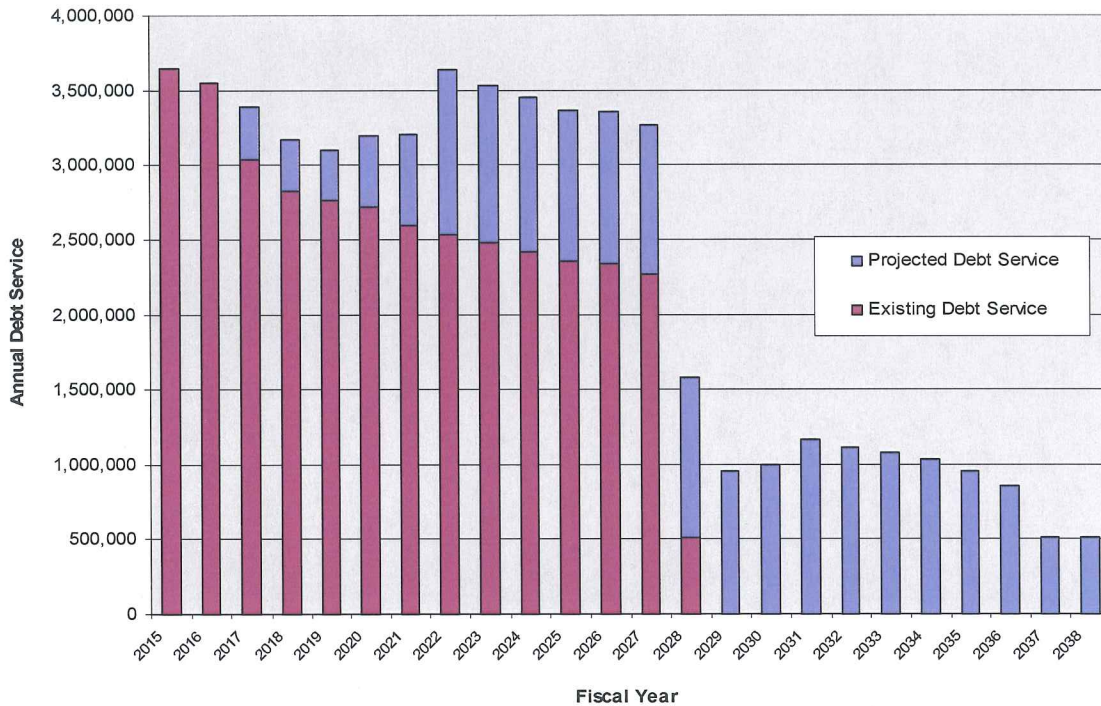
**JUNE 30, 2015**

| <b>Governmental Unit</b>          | <b>Debt Outstanding</b> | <b>Estimated %<br/>Applicable</b> | <b>Estimated Share<br/>of Overlapping<br/>Debt</b> |
|-----------------------------------|-------------------------|-----------------------------------|--|
| Overlapping District              | \$ 0                    | 0%                                | \$ 0   |
| Town of Avon Direct Debt          | \$ 27,635,000           | 100%                              | \$ 27,635,000                                      |
| Total Direct and Overlapping Debt | \$ 27,635,000           | 100%                              | \$ 27,635,000                                      |

Sources: CAFR June 30, 2015

Notes: The Town of Avon has no overlapping debt.

## Existing and Projected Net Debt Service



\* This graph is for all Existing and Projected Debt Financing. The projected debt financing is an estimate, has not been approved, and is subject to revision. This graph is based on the following:

- \$1,500,000 Athletic Fields/Facilities
- \$5,000,000 Fire Station
- \$7,664,000 Old Farms Road